

THE CRISIS OF IPO?

by the skill of Count Witte and encouraged by the consequent influx of foreign capital, prices rose rapidly in 1898 and 1899. The far-sighted Minister of Finance gave a warning in vain, early in the latter year, to the bankers of St. Petersburg of the danger of locking up their resources in speculation.¹ The Bank of Russia was compelled to come to the rescue of the market, and on September 23, 1899, there was a crash in bank shares and industrial securities which carried them down by from 20 to 50 per cent.

The loss of capital in Russian enterprises had its reaction in Germany and Belgium, whence much of the resources for these enterprises had come. In Germany efforts to maintain high prices for iron and coal were made by the large syndicates by curtailing production, but they were only partially effective.² Banks which had tied up their capital in new industrial projects, especially electrical, found themselves unable to meet their obligations. Two mortgage banks failed in the autumn of 1900, because they had been speculating in real estate through subsidiary companies. The failures caused a panic in mortgage bonds, which was most acute in the case of two companies which had been gravely mismanaged—the Bank of Pomerania and the Mortgage Bank of Mechlenberg-Strelitz. Bonds of the former fell from 98[^] to 77, and of the latter from 100 to 49; but the discount banks came to their aid and they were saved from failure.*

On the heels of the mortgage bank failures came difficulties in two large institutions of a different character. One of these, the *Dresdner Creditanstalt*, was aided temporarily by other institutions, but eventually went into liquidation. The other, the Bank of Leipzig, founded in 1839, and having a capital of \$12,000,000 and 12,000 depositors, went down at once. To a single industrial syndicate, the *Trebertrocknung Gesellschaft*, which produced and manipulated the securities

¹ Raffalovich, *Les Crises Commerciales et Financieres depuis 1889* 46.

² Levy, *La Crise Industrielle*, 7.

³ Raffalovich, *Le Marché Financier en 1901-02* 66.